



Peterson
Alfred
Jackson

**English Language Center
of Cache Valley, Inc.**

**FINANCIAL STATEMENTS
WITH INDEPENDENT AUDITOR'S REPORT**

**For The Year Ended
June 30, 2005**

▪ Certified Public Accountants
Business Consultants
2100 North Main • North Logan, Utah 84341

INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
English Language Center of Cache Valley, Inc.
Logan, UT 84321

We have audited the accompanying statement of financial position of the English Language Center of Cache Valley, Inc. (the Center) (a non-profit corporation) as of June 30, 2005, and the related statement of activities and cash flows for the year then ended. These financial statements are the responsibility of the Center's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the English Language Center of Cache Valley, Inc. as of June 30, 2005, and the changes in net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated July 15, 2005, on our consideration of the Center's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Peterson Alured Jackson

July 15, 2005

ENGLISH LANGUAGE CENTER OF CACHE VALLEY, INC.
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2005

	<u>2005</u>	Memorandum Only <u>2004</u>
<u>Assets</u>		
CURRENT ASSETS:		
Cash	\$ 201,317	\$ 27,450
Grants/contracts receivable	19,476	62,372
Other receivables	49	—
Prepaid expenses	2,600	1,600
Inventory	<u>6,328</u>	<u>5,360</u>
Total current assets	<u>229,770</u>	<u>96,782</u>
PROPERTY AND EQUIPMENT:		
Furniture, fixtures, and equipment	65,876	59,673
Less: accumulated depreciation	<u>(19,505)</u>	<u>(7,492)</u>
Total property and equipment — net	<u>46,371</u>	<u>52,181</u>
TOTAL ASSETS	<u>\$ 276,141</u>	<u>\$ 148,963</u>
<u>Liabilities and net assets</u>		
CURRENT LIABILITIES:		
Accounts payable	\$ 1,006	\$ 5,450
Accrued payroll taxes	<u>1,659</u>	<u>2,010</u>
Total current liabilities	<u>2,665</u>	<u>7,460</u>
NET ASSETS		
Unrestricted	258,976	141,503
Temporarily restricted	<u>14,500</u>	<u>—</u>
Total net assets	<u>273,476</u>	<u>141,503</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 276,141</u>	<u>\$ 148,963</u>

The accompanying notes are an integral part of these financial statements.

ENGLISH LANGUAGE CENTER OF CACHE VALLEY, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2005

	<u>2005</u>	Memorandum Only <u>2004</u>
<u>Changes in Unrestricted Net Assets</u>		
REVENUES:		
Grants, contracts, and contributions	\$ 416,020	\$ 346,468
Tuition	11,403	12,310
Donated goods and services	8,350	8,344
Textbook sales	19,179	13,329
Other	<u>530</u>	<u>262</u>
Total unrestricted revenue	<u>455,482</u>	<u>380,713</u>
EXPENSES:		
Salaries and wages	196,142	193,684
Professional fees	23,206	18,406
Occupancy	25,561	22,859
Equipment and supplies/textbooks	66,996	33,322
Depreciation	12,013	5,281
Travel/training	3,367	1,867
Repairs and maintenance	8,306	4,034
Miscellaneous	<u>2,418</u>	<u>1,433</u>
Total expenses	<u>338,009</u>	<u>280,886</u>
Net increase in unrestricted net assets	117,473	99,827
Net assets at beginning of year	<u>141,503</u>	<u>41,676</u>
Net assets at end of year	<u>\$ 258,976</u>	<u>\$ 141,503</u>
<u>Changes in Temporarily Restricted Net Assets</u>		
REVENUES:		
Grants, contracts, and contributions	\$ 14,500	\$ --
Net increase in unrestricted net assets	14,500	--
Net assets at beginning of year	<u>--</u>	<u>--</u>
Net assets at end of year	<u>\$ 14,500</u>	<u>\$ --</u>

The accompanying notes are an integral part of these financial statements.

ENGLISH LANGUAGE CENTER OF CACHE VALLEY, INC.
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2005

	<u>2005</u>	Memorandum Only <u>2004</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net increase (decrease) in equity	\$ 131,973	\$ 99,827
Adjustments to reconcile change in equity to net cash provided by operating activities:		
Depreciation	12,013	5,281
(Increase) decrease in:		
Grant/contracts receivable	42,896	(59,451)
Other receivables	(49)	—
Inventories	(968)	1,810
Prepaid expenses	(1,000)	(1,600)
Increase (decrease) in:		
Accounts payable	(4,444)	4,537
Accrued liabilities	<u>(351)</u>	<u>(10,794)</u>
Net cash provided (used) by operating activities	<u>180,070</u>	<u>39,610</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of equipment	<u>(6,203)</u>	<u>(49,910)</u>
Net cash used by investing activities	<u>(6,203)</u>	<u>(49,910)</u>
Net increase (decrease) in cash	173,867	(10,300)
Cash at beginning of year	<u>27,450</u>	<u>37,750</u>
Cash at end of year	<u><u>\$ 201,317</u></u>	<u><u>\$ 27,450</u></u>
Cash paid for interest	<u><u>\$ —</u></u>	<u><u>\$ —</u></u>

The accompanying notes are an integral part of these financial statements.

ENGLISH LANGUAGE CENTER OF CACHE VALLEY, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

Note 1: Summary of Significant Accounting Policies

Nature of Organization

English Language Center of Cache Valley, Inc. (the Center) is a non-profit corporation organized under the laws of the State of Utah on June 9, 1998. The Center consists of teaching facilities of English as a second language to adults of all nationalities, from pre-literate to the advanced level, thus improving their opportunities for employment and enhancing their community survival skills. The Center is governed by a board of trustees consisting of four to six members elected by the majority of the board of trustees. The non-profit corporation is located in Logan, Utah.

Basis of Accounting

The financial statements of the Center have been prepared on the accrual basis of accounting.

Unrestricted Net Assets

Under SFAS No. 117 the English Language Center of Cache Valley, Inc. is required to report information regarding its financial positions and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Unrestricted net assets consists of revenue and other support available for and used for current operations. Restricted contributions whose restrictions are met in the same reporting period are shown on the financial statements as unrestricted contributions.

Contributions

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designed for the future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net asset classes. When a temporary restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Property and Equipment

Purchased property and equipment are recorded at cost. Donated equipment is valued at fair market value. Beginning in fiscal year 2001, all capital items greater than \$5,000 are classified as capitalized assets. Depreciation of equipment is provided for over the estimated useful lives of the respective assets using straight-line method. The Center uses the following useful lives:

Furniture and equipment

3-5 years

Upon retirement or disposal of property and equipment, the costs and related accumulated depreciation amounts are eliminated, and any gain or loss is included in the statement of activity in the year of disposition.

Income Taxes

As a non-profit organization which is not a private foundation, the Center has been granted tax-exempt status by the IRS under Section 501(c)(3). Accordingly, no provision for income taxes has been made in the financial statements.

Donated Materials, Equipment, and Services

Donated materials, equipment, facilities, and certain services are reflected as contributions in the accompanying statements at their estimated fair value on the date of contribution.

Statement of Cash Flows

For the purposes of the Statement of Cash Flows, the Center considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents.

Memorandum Totals

Total columns on the prior year period are captioned "memorandum only" to indicate that they are presented only to facilitate analysis.

Note 2: Cash

English Language Center of Cache Valley, Inc. maintains a cash account in one bank. Of the bank balances, \$153,700 was covered by FDIC insurance and \$67,973 was not insured at June 30, 2005.

	<u>Carrying Amount</u>	<u>Bank Balance</u>
Checking - Lewiston State Bank	\$ 33,144	\$ 53,700
Savings - Lewiston State Bank	167,973	167,973
Petty Cash	<u>200</u>	<u>—</u>
Total Cash	<u>\$201,317</u>	<u>\$ 221,673</u>

Note 3: Prepaid Expenses

Prepaid expenses consist of one month's rent paid in advance.

Note 4: Inventory

Inventory at June 30, 2005, consists of the following:

Textbooks	<u>\$ 6,328</u>
Total inventory	<u>\$ 6,328</u>

Inventory is stated at the lower of cost (first-in, first-out method) or market.

Note 5: Property and Equipment

	<u>7/1/04</u>	<u>Additions</u>	<u>Dispositions</u>	<u>6/30/05</u>
Furniture and equipment	<u>\$ 59,673</u>	<u>\$ 6,203</u>	<u>\$ --</u>	<u>\$ 65,876</u>
Total property and equipment	59,673	6,203	--	65,876
Accumulated depreciation	<u>(7,492)</u>	<u>(12,013)</u>	<u>--</u>	<u>(19,505)</u>
Net property and equipment	<u>\$ 52,181</u>	<u>\$ (5,810)</u>	<u>\$ --</u>	<u>\$ 46,371</u>

Note 6: Functional Expense

The majority of time and expenses incurred by the Organization are for the program purpose of teaching english. Of the total expenses, \$16,902 is for administration and \$321,107 is for program classes.

Note 7: Contributed Facilities and Services

The contributions of services are recognized if the services received (a) create or enhance nonfinancial assets or (b) require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. Services provided by student and other volunteers at the Center are not recorded. Donated services for the year ended 6/30/05 were valued at \$7,630 and donated facilities were \$720.

Note 8: Leases

English Language Center of Cache Valley, Inc. leases its Logan facility on an annual basis. Monthly rent of \$900 (up for renewal in 2005) and \$700 (up for renewal in 2006) is due by the 10th of each month. The lease agreement automatically renews annually for a period of five years upon acceptance by both parties. The future minimum lease payments for the next five fiscal years and in aggregate are as follows:

2006	<u>5,600</u>
	<u>\$ 5,600</u>

Rent expense for the year was \$21,320.

Note 9: Temporarily Restricted Net Assets

The Center had the following temporary restrictions on net assets as of June 30, 2005:

Restricted for childcare	\$ 2,000
Restricted for ESL classes	<u>12,500</u>
Total temporarily restricted net assets	<u>\$ 14,500</u>



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**REPORT ON COMPLIANCE AND INTERNAL CONTROL OVER
FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Trustees of
English Language Center of Cache Valley, Inc.

We have audited the financial statements of English Language Center of Cache Valley, Inc. (the Center) (a nonprofit corporation) as of and for the year ended June 30, 2005, and have issued our report thereon dated July 15, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Center's financial statements are free of material misstatements, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances on noncompliance that are required to be reported under Government Auditing Standards.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Center's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting, which we have reported to management of the Center in a separate letter dated July 15, 2005.

This report is intended solely for the information and use of the audit committee, management, and Board of Trustees and is not intended to be and should not be used by anyone other than these specified parties.

Peterson Alured Jackson

July 15, 2005



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Business Consultants

July 15, 2005

To the Board of Trustees
English Language Center of Cache Valley, Inc.
Logan, UT 84321

In planning and performing our audits of the financial statements of the English Language Center of Cache Valley, Inc. (a non-profit corporation) as of June 30, 2005, we developed the following recommendations concerning certain matters related to the internal control structure and certain administrative and operating matters. These recommendations resulted from our observations made in connection with our audits of the Center's financial statements for the year ended June 30, 2005, and are not based on special study. Our comments and principal recommendations are summarized as follows:

PRIOR YEAR FINDING

Finding: *Accrual recognition.* The Center is using the accrual basis of accounting but had not entered in all June 2004 invoices in the preliminary financial statements resulting in adjustments at year end.

Recommendation: Monitor all receivables and payables on a monthly basis and reflect them correctly in the financial statements on a timely basis.

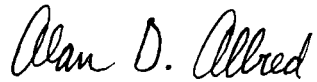
Management response: ELC chose to have the audit two weeks after the fiscal year ended and hadn't completed the final accruals. The ELC will book all receivables and payables when incurred. We thank Peterson Allred Jackson for the thoroughness of the audit and for their professional services.

Status: The Center is booking accruals on a monthly basis as well as at year-end.

In conclusion, we wish to recognize Ronda Kingsford and Katie Jensen for their excellent service provided to the English Language Center. The performance of the English Language Center annual fiscal year audit has been an enjoyable experience for us and we would like to thank the Center for the opportunity to serve as independent auditors.

Very truly yours,

PETERSON ALLRED JACKSON

A handwritten signature in cursive script that reads "Alan D. Allred".

Alan D. Allred, CPA